



STATE OF THE STATE ADDRESS

GOVERNOR JANET NAPOLITANO

PRESENTED TO THE 47TH ARIZONA LEGISLATURE
FIRST REGULAR SESSION
JANUARY 10, 2005



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President Bennett, Speaker Weiers, Honorable Senators and Representatives, Chief Justice Jones and members of the Supreme Court, members of our Congressional delegation, honored guests, and my fellow Arizonans.

Two years ago, on a beautiful Arizona day, I was privileged to take the oath of office as your Governor. On that day, during a time of challenge for our state, I said these words: "with a mixture of hope and skepticism, Arizonans [are asking]: Will anything really change?"

Today I stand before you to say, yes – a lot has changed, is changing, and will continue to change – for the better. Arizona is moving forward. And if we work together, we will keep it moving forward.

The people of this state work hard. They are building businesses; they are saving and struggling to educate their children. They are doing their part. They want us to do our part. We here in this chamber do not have the luxury of partisanship or defeatism. The choice we face is not between Republican or Democrat but between those who say "no, not ever" ... and those of us who say, "Yes, we can."

Can we continue to renew our schools, from those for the youngest child to world-class community colleges and universities? Some say, "No, not ever." I say, "Yes, we can."

Can we build an Arizona economy with more high-wage jobs and more highly trained people to fill them? Some say, "No, not ever." I say, "Yes, we can."

Can we be true stewards of our water and our land while encouraging responsible growth? Some say, "No, not ever." I say, "Yes, we can."

I know we can. Just look at the progress we have made together. Two years ago, I was a new Governor joined by a huge class of new lawmakers. Our economy was down and our state was swimming in red ink. We promised the citizens of Arizona we would spend money more carefully. We wouldn't just preach fiscal responsibility, we would practice it. We would make government work better and cost less.

And that is what we did. We erased \$1.3 billion in shortfalls and balanced the budget. The national financial rating agencies removed their negative outlook for Arizona, which, in turn, saves us money on large capital projects. Because we've been careful with money, we will have a surplus in our Rainy Day fund – of more than \$100 million this fiscal year.

We balanced our budget and eliminated our deficit without cutting education or gutting vital services. We did it without raising taxes. And we did it while making the most profound investment we can make: in the education of our children. This is the discipline I intend to continue and that this year's budget will embrace.



Now our government not only lives within its means; it invests in what matters.

For instance, we created the Copper Card to provide discount drugs for our seniors – and we did it with a pioneering partnership between government and business. Today, nearly 50,000 Arizona seniors have saved millions of dollars. And our effort is now a model for the country.

We invested substantially in our universities, while launching a top to bottom review so we can redesign our higher education system. That redesign has a simple goal: to prepare our students for the 21st century.

We are bringing together – in a way no other state has – the resources and the drive necessary to maintain Arizona's – and the nation's – security. In this country, we have witnessed the horror of an attack by air; we cannot live with a border too weak to withstand infiltration from the ground.

We're making these investments by shifting resources from government waste and inefficiency to government productivity. My Efficiency Review teams are combing the bureaucracy; we're changing the way state government works, from how it buys paper and pencils to how it provides health insurance.

We're not done – we will never be done. Efficiency Review is now an established part of the way we do state business in Arizona. Over five years, we will save the citizens of Arizona hundreds of millions of dollars.

Too often these days, politicians shout at each other about "big government" and "small government." In Arizona, we are showing that what matters is smart government, efficient government, effective government. We are showing the rest of America how it's done.

Yes, Arizona is moving forward. And we should all be proud of what we have achieved. But this is not a record to rest on; it is a record to build on. We have much more to do to continue to move Arizona forward.

This Friday, I will send you my proposed budget. I will propose no tax increases; I will protect vital services like homeland security; and I will continue to invest in what matters for our long-term future.

Our first priority, today and always, is education. I know I would not be standing here but for the love of learning imparted by my parents; the public schools I attended; the high standards set by my teachers. I have a hunch that's true for many of us in this room. But as our state is changing, our economy is changing, and our schools must change.

So one of our most vital missions must be to extend all-day kindergarten so it is available to every child at every school in every community. All-day kindergarten is voluntary... making it one of the largest school choice programs in state history. Today, the parents of nearly 10,000 children in the toughest schools have the choice of all-day kindergarten. I propose to make it available for the parents of 10,000 more children this year.

And I challenge all parents and grandparents, teachers and principals, and the business leaders who fought so hard for this priority – please join with us to shine a light on this program. Hold it accountable – and hold us accountable.



But voluntary all-day kindergarten does not end our mission to renew our schools. Here is my guiding philosophy: there is no substitute for high expectations. We will demand more of our students. But we must do more for them, too. We must insist on wide opportunities and high standards from the first day of preschool to the last day of college.

As you know, this year's junior class will be the first that must pass the AIMS test to graduate - but more than half of them haven't done it yet. That's unacceptable. We must expect success from every child - but we have to help them, too. To provide that help, the Superintendent of Public Instruction and I have redirected \$10 million to provide one-on-one tutoring for high school juniors who are struggling with AIMS.

Let me add one more thing. Special education students, who have individual education plans, should not have to add AIMS to the hurdles they already face. I ask you to support legislation that ensures these students do not have to pass a test that was never designed for them.

Another hurdle that faces far too many families is childcare. Quality childcare. Parents need to be able to go to work knowing their children are safe and are nurtured.

We have more than 2,000 childcare centers in Arizona; some are spectacular, some not so spectacular. I have instructed the Arizona School Readiness Board to continue its work with both the private and non-profit sectors to create a quality rating system for childcare centers. My budget also includes funding so that children of low-wage, working parents can obtain quality childcare without spending months on a waiting list.

Let's also continue our drive for early literacy, the early ability to read and write in English. It is such a pleasure to me to give the gift of a book. Last month, more than 80,000 first graders received a volume of poetry called *Confetti*. This year, fourth-grade students will receive the book *Coyote School News* as they learn about Arizona history.

I want to thank the schools and districts that distributed the books, and the businesses that paid for them. Today, I am pleased to reaffirm my commitment to Arizona that as long as I am Governor, all children in the first grade - and now, the fourth grade - will receive a book to enjoy as their own.

As we know, next to a child's family, the most important element in raising student achievement is a qualified, experienced teacher in the classroom. So, this year we will implement a statewide Master Teacher program to ultimately put at least one Master Teacher in every school. With the leadership of Northern Arizona University, we will fix our outdated system of teacher professional development. And we will continue to move money from administrative overhead outside the classroom - and put it into the classroom, so that the low rates of teacher pay can be addressed.

We can't just stop when our students graduate from high school. They need to be ready to go on to enhanced career and technical education, a community college or a university. And our universities have a responsibility to make sure their students graduate - particularly in the fields of nursing, teaching and engineering.

I have asked the Board of Regents to direct funding to universities that increase the number of students who earn their degrees in a reasonable time. And I also want to help ensure that no qualified Arizona student is precluded from a higher education because of money; accordingly, I propose that we double our state's investment in student financial aid.



If we are serious about expanding opportunity, we must recognize that it depends on high skills, higher education and learning that lasts a lifetime. Today and even more tomorrow, Arizona's children compete with children around the world. Every time a first-grader can't read – or a ninth grader has not had algebra – we fall behind. The challenge in our schools is not just for poor neighborhoods or for our inner cities. It's not "their" children – it's "our" children.

This is a perfect example of where we must put politics aside and work together. We cannot let education be paralyzed by politics. Can we work together for positive change? Yes, we can.

Education is our most vital mission. But it is not our only great goal. We have more to do to move Arizona forward. Our strong progress and fiscal discipline today give us an opportunity to build and plan for the future – in spurring long term economic growth, in stewardship of our natural resources, in modernizing health care, and in strengthening our security.

To expand opportunity, we must focus on economic growth. As we widen the pool of highly skilled workers, we should encourage businesses to create high wage jobs. These jobs can be in many fields – from tourism to small business to high-tech companies. That is why I will propose a series of tax relief measures – from guidelines for tax exemptions, to actual tax credits – to spur Arizona's competitiveness for new jobs.

There are some tax cuts we can now afford and should pass. We should expand the research and development tax credit for businesses that partner with our state universities; we should phase out the personal property tax for small business; and we should give tax relief to industries that manufacture goods in Arizona and export them all over the nation and to the world. Let's export our goods and not our jobs.

Arizona's growth cannot continue unless we deal realistically with water.

We are a desert state in a prolonged drought. Yes, we've seen much-needed rain over the past weeks. But, the experts tell us that it will take many years of average rainfall to replenish our reservoirs.

I will propose legislation that will let the state do a far better job monitoring water conditions. We need your support to revitalize Arizona's Department of Water Resources so it can help rural communities to plan better. I will urge every community, no matter what size, to adopt a long-term water conservation plan to ensure our families and businesses have the water they need. We must continue to fight to make sure that Arizona gets its fair share of water from the Colorado River. And with our three state universities, we are creating a virtual water university to demonstrate to the world how to sustain vibrant communities in a desert environment.

We also must move forward together to be better stewards of the earth God gave us – the undeveloped land that gives Arizona its breathtaking beauty.

In the past two years, we have seen two devastating fire seasons. We need to prepare aggressively for fire – and give Arizona homeowners the tools they need to prevent it. I will ask you to create a consolidated Arizona Office of Fire and Life Safety that will bring fire response, preparedness and planning together in a single, focused effort. And I will include, in my budget, funding for more inmate crews to fight fire throughout the state.



Many of our state's natural treasures are within the 9 million acres of state trust land. We have a duty to use these lands wisely and to find the right balance between development, preservation and generation of resources for our schools.

Today the laws governing the trust are old and rusty. There is no mechanism to protect our natural resources – and to better manage lands that we need to conserve and enjoy as open space. We don't have an effective way to market land for the highest return. It is past time to give the State Land Department the rules and tools that are relevant today.

We do not need to start from scratch. Last year, much was accomplished by a diverse group of citizens that included businesses, developers, educators, conservationists and ranchers alike. Their plan is a good place to start. I am asking you to place state trust land among your highest priorities, and then allow the voters to make their decision.

Much as we care for our land, we must care for our people.

More families need the security that comes from affordable health care. Costs are soaring. And nearly three-quarters of a million working people in Arizona lack health insurance coverage altogether – they are one serious illness or injury away from catastrophe. All over the state, small business owners are priced out of the private health insurance market.

That's why we have revitalized 'Health Care Group.' Thirteen-thousand Arizonans have enrolled in Health Care Group; that is not enough. Many employers in Arizona are small businesses that cannot provide health insurance. It is my goal to expand Health Care Group, with new and affordable products to allow even more of our hard working people to find a way to buy affordable health insurance.

But health insurance means nothing if there is no one to take care of you.

It won't surprise anyone that there is a shortage of health care professionals in Arizona. We need more nurses and doctors. This year, we are already educating more nurses at our colleges, and working to keep the ones we already have.

We are moving quickly toward a new medical school that can and should become part of a larger medical center. We've set aside old rivalries to join together Arizona State and the University of Arizona to create an environment in which new medicines, new treatments and new cures will be born – breakthroughs in diseases like autism, diabetes and cancer.

Phase I is to provide funding so that one small class of new medical students can start in 2006. For Phase II, I propose that we establish our own state "Medical Center Savings Account," so that as plans are completed, we have the financial wherewithal for a truly world-class medical center that includes education, research and clinical facilities. If we do this, we will improve the quality of life for all Arizonans, and leave a legacy for generations to come.

Quality of life means nothing without security – and security starts at home. We have done much to address the safety of families in Arizona: the first-ever state plan for domestic violence prevention; anti-bullying programs in our schools to keep our children safe; and initiatives to combat elder abuse. And I will continue with the important job of reforming Child Protective Services. Arizona families deserve our continued support to keep them safe and secure.



We must also focus on security for the entire state. Previous Governors have not had to talk about homeland security in state of the state addresses, but we know these are not ordinary times. Three years ago America was attacked by terrorists who still plot to do us harm. Two years ago we went to war. We are deeply proud of the thousands of Arizonans who have served, not only in the active military, but also in reserve units and the Arizona National Guard. Our hearts break, and we owe the greatest gratitude, to those who have died, or have been wounded in the service of our country.

These military men and women are neighbors and friends; they have taken time out of their lives and are giving everything to protect us.

Two members of the Arizona National Guard are with us today. I'd like to ask each of you to stand. Staff Sergeant Sylvia Wessell mobilized to Iraq in 2003 and served for a year operating supply convoys throughout the country.

Your husband, Douglas, and your three children, Brittney, Tess and Tanner, waited with pride and anxiety for you to come home. It was a long year.

Major Alejandro Navarrette was deployed to Iraq in 2003. The unit under your command provided much-needed air traffic control in three different locations in that country. Your wife Claudia and children David and Victoria held the home together while you were away.

Staff Sergeant Wessell, Major Navarrette, will your families please stand and join you? You have given us much and you honor us by being here today. We are proud of you and all who serve with you. And together, all of us say, "thank you."

These men and women have sacrificed for us. The least we can do is to live up to our own duty to protect the state.

Arizona has proudly been host to military bases and installations for decades. Over the past two years, working with you in the Legislature, we have positioned Arizona so as to keep our military bases and installations. We've worked with the military to keep sharp focus on their missions. We are determined to preserve these missions and the thousands of military and civilian jobs, as well as the billions of dollars the military brings to Arizona.

Because Arizona has such a large military presence, we have a large population of veterans. To them, we owe no less than this:

First, we must finish the job and open a second State Veteran's Home in Southern Arizona.

Second, we must acquire the land necessary for a Veteran's Cemetery in Northern Arizona.

And third, we must continue to support the ongoing public-private partnerships that create places for homeless veterans to live, to heal and to find work.

And while we here in Arizona will do our jobs, we need to insist that the people in Washington do theirs. The federal government has a long and nearly unbroken record of misunderstanding our region and our state. It continues to impose policies that may make sense in Washington, D.C., but make little sense here. When it comes to homeland security, we read a lot of bold talk in the newspapers, but when it comes to resources, federal policy is nothing less than timid.



Since I became Governor, we adopted the first statewide homeland security plan in the nation. Arizona opened the first state consolidated intelligence center so we can tell whether what appears to be an isolated crime is, in reality, part of a terrorist pattern. We have conducted some of the largest training exercises in the country.

Yet, last year, Congress cut Arizona's homeland security appropriation by 35 percent. Has the terrorist threat really declined by a third? All of us, regardless of party, should demand that Washington give the states what we need to protect our people. I will continue to work with our Congressional delegation on this important priority.

And Washington must meet its responsibility to control our borders. If our borders remain undefended, then the next time terrorists enter the country it may not be by airplane.

Arizona has more people illegally crossing our southern border than the other three Border States combined. It is time for the national government to step in, devote the resources, and do its job of protecting the border. It is time for real immigration reform. And, while we work so well with our neighbors in Mexico on so many issues, it is time for the government of Mexico to do its part to control illegal immigration.

Our broken border has real financial consequences. Did you know that today, Arizona taxpayers pay to imprison nearly 4,000 people who were already here illegally and who broke our state's laws? Federal law requires the federal government to either pay for these prisoners or take them off our hands. They are doing neither.

In October, I requested the United States Attorney General to reimburse Arizona for those prisoners. I still haven't gotten a straight answer. Let's give Washington our answer: take responsibility, live up to the law and protect Arizona's borders.

Today, I have set out some big priorities – key areas in which we must continue to move forward. Let me talk about how to do it.

For years, politicians postponed problems, spent money and passed new laws without ever looking at the cost and consequences for our state. Over the past two years, we have achieved fiscal discipline. It hasn't been easy. But we won't give up.

Let's all agree to continue the fiscal discipline we've demanded of ourselves the past two years. We should neither spend money ... nor cut taxes ... unless we can afford it. Our budget and tax debates should all seek to move Arizona forward, not to score political points.

Renewing our schools, building a better economy, being good stewards of our water and our land, increasing the availability of health care and improving the security of our state: these are my goals and dreams for Arizona.

I often think of the earliest Arizonans, the people who were here at the beginning of recorded time. They knew the challenges of this difficult but beautiful land, and they created new and innovative ways to work it and make it prosper.

I think, too, of the men and women who came here in the 19th century. These pioneers, who trekked across forbidding, seemingly barren desert, were also not afraid of challenges. They didn't pack up their families and their belongings and cross the desert because it was easy. They felt guided by a



north star of possibility that they saw nowhere else. Opportunity wasn't a slogan – it was God given and very real.

I believe our mission must be nothing less: to build on those same values of freedom and opportunity that brought the settlers here.

Tough times and tough terrain didn't stop them. They kept moving forward – and so will we. Can we do it? Will we keep Arizona moving forward?

Yes we can – we must – and we will.